

NAHMA's Top Legislative Priorities 2011-2012

1. Ensuring full funding and timely payment of Section 8, PRAC and Rural Rental Assistance contracts.
 - a. Sufficient appropriations
 - b. Continuing resolutions
 - c. Sequestration under the Budget Control Act

2. Increasing opportunities for families to receive rental housing assistance by simplifying the Housing Choice Voucher (HCV) program.
 - a. Key provisions of the Section 8 Voucher Reform Act (SEVRA) and Section 8 Savings Act (SESA)
 - b. Full funding of the HCV program in the appropriations bills

3. Stabilizing the Low Income Housing Tax Credit (LIHTC) program.
 - a. Continue the LIHTC program under any tax reform legislation

Please find more detailed descriptions of each NAHMA priority attached.

Full-Funding for Rental Assistance Contracts

NAHMA is very concerned about the impact budget cuts would have on residents and affordable properties assisted through Section 8 Housing Assistance Payment (HAP) contracts, Project Rental Assistance Contracts (PRACs) and Rural Rental Assistance contracts (RA).

All three of these subsidy contracts play a critical role in meeting the housing needs of low-income families. In the project-based Section 8 program, HUD enters into Housing Assistance Payment (HAP) contracts with private apartment owners to pay the difference between the rent and 30 percent of a qualified tenant's income. In the Housing Choice Voucher program (tenant-based Section 8), private apartment owners sign a HAP contract with the public housing authority to provide assistance for a family under HUD's Housing Choice Voucher program. The PHA uses federal funds to pay the owner the difference between 30 percent of the tenant's income and the rent for the unit. Under PRAC contracts, HUD pays the difference between the rent and 30 percent of a tenant's income to an owner of Section 202 apartments for the elderly housing or Section 811 apartments for the disabled. The Section 521 Rural Rental Assistance (RA) program is project-based rental assistance administered by the U.S. Department of Agriculture-Rural Housing Service. It is often used in conjunction with Section 515 housing or farm labor housing to pay apartment owners the difference between tenants' contributions (30 percent of their income) and the monthly rental rate.

HUD officials, members of Congress and housing providers invested a considerable amount of effort to stabilize funding for project-based Section 8 HAPs. Prior to 2008, the program was plagued by chronic funding shortfalls which resulted in late HAP payments to owners and led HUD to offer incremental "stub" contracts that obligated owners to provide housing for 12-month terms, but only guaranteed funding for a couple months, or even weeks, on that contract. To cover the revenue shortfalls when HAP payments were late, owners had to divert money from other important accounts, resulting in late payments on mortgages or other bills, and compromising their ability to manage properties effectively. This stop-and-go process damaged HUD's credibility with owners and lenders, wasted administrative time of the HUD staff, and jeopardized the housing of thousands of low-income residents.

Most of the late payment problems have been resolved. Since FY 2009, appropriations for Section 8 HAP renewals have allowed HUD to fully fund the 12-month contract terms at the time of renewal. Advanced appropriations have also helped reduce the frequency of late HAPs when HUD's budget has not been enacted at the start of the new fiscal year, because it can take several weeks after a bill is signed before the owner receives the HAP payment.

NAHMA is extremely concerned that the government spending sequestration required by the Budget Control Act, if implemented, could devastate affordable multifamily housing programs. Insufficient funding would negate the years of effort Congress invested to stabilize the Section 8 programs. Underfunding the HUD and USDA-RHS contractual obligations to apartment owners will damage the federal government's credibility and jeopardize rental assistance for the most vulnerable American households. Finally, it may also place the properties with mortgages insured by HUD or USDA-RHS at risk of default.

NAHMA strongly urges Congress to:

- **Continue providing the necessary appropriations to ensure full-funding and timely payment of rental assistance contracts; and**
- **Prevent the sequestration from underfunding contract renewals.**

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

Reforming the Housing Choice Voucher (HCV) Program:
Section 8 Voucher Reform Act (SEVRA) and Section 8 Savings Act (SESA)

The Section 8 Tenant-Based Rental Assistance, or Housing Choice Voucher (HCV) program, is widely recognized as a cost-effective means for delivering rental assistance to low-income families. The rental assistance is provided on behalf of the family so that participants are able to find and lease privately-owned housing. Voucher holders may choose any housing that satisfies the program requirements, including single-family homes, townhouses and apartments. Rental units must meet health and safety standards, as determined by the local public housing agency (PHA) which administers the voucher program. After the voucher holder finds housing, the PHA pays a housing subsidy to the landlord on behalf of the participating family. The family must pay 30% of its monthly adjusted gross income for rent and utilities, and if the unit rent is greater than the PHA's payment standard, the family is required to pay the additional amount. Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a modest home. Over 2 million families receive assistance through the HCV program.

Although the voucher program is highly effective, there has been widespread support for legislation to make it more efficient, easier to administer, and more user-friendly for tenants and housing providers.

In the 111th Congress, many of these reforms were included in H.R. 3045, the Section 8 Voucher Reform Act of 2009 (SEVRA). Although this legislation was reported by the House Financial Services Committee, it was not considered by the full House. Then, in late 2010, stakeholders reached broad agreement on a scaled-down draft SEVRA package which was estimated to save more than \$700 million over five years. Common elements of these proposals would have streamlined HCV unit inspections, simplified the rent-setting and income determination processes, and encouraged residents to increase their earned income. They would also have allowed more working families to qualify for vouchers, particularly in rural areas. Unfortunately, neither H.R. 3045 nor the scaled-down draft legislation was enacted before the 111th Congress adjourned.

Discussion about voucher reform legislation resumed in the 112th Congress. Both Democrats and Republicans have offered ideas for improving this essential rental assistance program.

On March 17, 2011, Representative Maxine Waters reintroduced SEVRA (H.R. 1209). In addition to streamlining unit inspection, rent determination and income certification rules, H.R. 1209 also authorizes appropriations for new incremental vouchers.

The House Financial Services Subcommittee on Insurance, Housing and Community Opportunity has held two hearings on discussion draft voucher reform legislation, the Section 8 Savings Act (SESA). The first, "Legislative Proposals to Reform the Housing Choice Voucher Program," was held on June 23, 2011. The second hearing, "The Section 8 Savings Act of 2011: Proposals to Promote Economic Independence for Assisted Families," occurred on October 13, 2011. The Subcommittee received extensive feedback on the draft SESA bills from HUD, public housing agencies, apartment owners, managers and developers, tenant advocacy organizations and others. Having received public input on the draft SESA bills, Subcommittee Chair Judy Biggert is expected to introduce a new version of the Section 8 Savings Act in the near future.

NAHMA has strongly advocated that the following provisions be retained in the SESA bill:

- Streamlining inspections of housing units, which will be especially helpful to voucher-holders in tight rental markets with low vacancy;
 - Minor repairs can be made within 30 days;
 - PHAs may allow occupancy prior to the inspection in buildings which passed an alternative inspection (HOME, LIHTC or other inspections with equally stringent HQS standards) within the last 12 months;
- Stabilizing voucher funding by basing it on the previous year's leasing and cost data;
- Simplifying the rules for determining a family's rent and income; and
- Authorizing HUD to provide Limited English Proficiency (LEP) technical assistance which:
 - Creates a stakeholder working group to identify vital documents for translations;
 - Requires HUD to translate identified documents within six months; and
 - Creates a HUD-administered 1-800 hotline to assist with oral interpretation needs.

The LEP authorization language would relieve housing operators of an unfunded obligation to provide language services that could divert funds from repairs and maintenance of the properties, ensure meaningful access to HUD's housing programs for persons with LEP, and offer a higher-level of quality control over the services provided to LEP persons.

NAHMA strongly supports the passage of comprehensive Housing Choice Voucher (HCV) reform legislation at the earliest opportunity. In this tight budget environment, HCV reform legislation would help local agencies stretch limited funds and minimize the risk of harsh cuts in assistance to needy families.

NAHMA respectfully requests that members of Congress:

- **Work expeditiously to reach an agreement on comprehensive Section 8 reform language which the President can sign into law; and**
- **Provide full funding for the Housing Choice Voucher program through the appropriations process.**

Protecting the Low Income Housing Tax Credit (LIHTC) in Tax Reform Efforts

Created by the Tax Reform Act of 1986, the LIHTC program is the primary source of federal funding to construct new affordable apartments. A recent HUD report explained the history of the program as follows:

“The act [Tax Reform Act of 1986] eliminated a variety of tax provisions that had favored rental housing and replaced them with a program of credits for the production of rental housing targeted to lower income households. Under the LIHTC program, the states were authorized to issue federal tax credits for the acquisition, rehabilitation, or new construction of affordable rental housing. The credits can be used by property owners to offset taxes on other income, and are generally sold to outside investors to raise initial development funds for a project. To qualify for credits, a project must have a specific proportion of its units set aside for lower income households with the rents on these units limited to 30 percent of qualifying income [50 percent or 60 percent of area median income]. LIHTC investors claim credits to offset taxes otherwise owed for each year of a 10-year period....”¹

LIHTC apartments are rent-restricted and income-restricted for a minimum of 30 years. State agencies oversee the allocation of the Credits, and they monitor the properties' compliance with the program requirements. Investors who buy the Credits add private sector oversight during the initial 15-year federal compliance period during which the IRS can recapture the credits for non-compliance.

The LIHTC program is an example of a successful public-private partnership. HUD estimates an average almost 1,390 projects and nearly 103,000 units were placed in service in each year of the 1995 to 2009 period. According to the National Council of State Housing Agencies, the Credit's incentive for private sector investment has helped finance more than 2.4 million apartments for low-income families since 1986. The program has generally functioned well as a vehicle to provide new workforce housing and to preserve older HUD assisted and rural properties. Moreover, the National Association of Home Builders estimates the program has added approximately 95,000 full time jobs per year across all U.S. industries, as well as generating tax and other revenue to local economies.

As part of efforts to reduce government spending, several Members of Congress have called for comprehensive tax reform. One popular proposal with tax reform advocates would eliminate all tax expenditures for businesses, including the LIHTC, in order to lower the corporate tax rate.

NAHMA will strongly oppose legislation that would eliminate the LIHTC program. The Housing Credit has a proven record of success as a new production and preservation program. At a time when federal appropriations for housing programs face budget cuts, Congress should not entertain ideas to eliminate the LIHTC. This tax credit program is working. It produces jobs, raises revenue for local economies, provides quality rental housing for working families, and creates a voluntary tax incentive for businesses to invest in affordable housing communities.

As Congress considers comprehensive tax reform plans, NAHMA requests that Senators and Representatives strongly oppose any proposal to eliminate the LIHTC program.

¹ *Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods, Final Report.* Prepared by Abt Associates Inc. for the U.S. Department of Housing and Urban Development, Office of Policy Development and Research; February 28, 2000.